

Options for Independence, Inc.

**Financial Statements
and Independent Auditor's Report
June 30, 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4-12-06

Options for Independence, Inc.

**Financial Statements and Independent Auditor's Report
As of and for the Year Ended June 30, 2005
With Supplemental Information Schedule**

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**Martin
and
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Options for Independence, Inc.
Houma, Louisiana

We have audited the accompanying statement of financial position of Options for Independence, Inc. (a nonprofit organization) as of June 30, 2005, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Options for Independence, Inc. as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2006 on our consideration of Options for Independence, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
Options for Independence, Inc.
Houma, Louisiana

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Options for Independence, Inc. taken as a whole. The accompanying Schedule of Revenue, Support, and Direct Expenses-Big Brothers/Big Sisters Program is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Martin and Pelf.

February 9, 2006

FINANCIAL STATEMENTS

Options for Independence, Inc.

**Statement of Financial Position
June 30, 2005**

ASSETS

Current assets:

Cash and cash equivalents	\$ 18,349
Program service fees receivable	195,469
Prepaid expenses	13,100
Total current assets	<u>226,918</u>

Property and equipment, less accumulated depreciation of \$85,563	28,850
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Deposits	<u>1,335</u>
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TOTAL ASSETS	<u>\$ 257,103</u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 9,295
Line of credit	149,234
Accrued payroll and related liabilities	16,111
Capital lease payable, current portion	2,427
Note payable, current portion	3,496
Total current liabilities	<u>180,563</u>

Long-term liabilities:

Capital lease payable, net of current maturities	5,603
Note payable, net of current maturities	7,886
Total long-term liabilities	<u>13,489</u>

Total liabilities	194,052
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Net assets:

Unrestricted	<u>63,051</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 257,103</u>
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See accompanying notes to financial statements.

Options for Independence, Inc.

**Statement of Activities
For the Year Ended June 30, 2005**

	<u>Unrestricted</u>
REVENUES AND OTHER SUPPORT	
Program service fees	\$ 1,407,528
Miscellaneous income	20,341
Contributions	<u>2,803</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>1,430,672</u>
EXPENSES	
Program services	
Special projects	435,717
Adult services	378,455
Children's services	228,101
Employment services	177,969
Big Brothers/Big Sisters	<u>95,636</u>
Total Program Services	1,315,878
Management and general	<u>79,233</u>
TOTAL EXPENSES	<u>1,395,111</u>
INCREASE IN NET ASSETS FROM OPERATIONS	35,561
OTHER CHANGES	
Loss on disposal of fixed assets	<u>(85)</u>
INCREASE IN NET ASSETS	35,476
NET ASSETS, BEGINNING OF PERIOD	<u>27,575</u>
NET ASSETS, END OF PERIOD	<u><u>\$ 63,051</u></u>

See accompanying notes to financial statements.

Options for Independence, Inc.

Statement of Functional Expenses For the Year Ended June 30, 2005

	PROGRAM SERVICES					Management and General		Total
	Special Projects	Adult Services	Children's Services	Employment Services	Big Brothers/Big Sisters	General		
Salaries	\$ 126,409	\$ 246,427	\$ 141,483	\$ 145,284	\$ 50,980	\$ 37,322	\$ 747,905	
Direct aid	242,238	11,347	311	37	-	-	253,933	
Insurance	11,571	26,742	16,807	6,073	5,263	-	66,456	
Payroll taxes	9,603	20,046	11,515	12,352	4,271	3,187	60,974	
Travel	11,386	18,497	21,281	1,600	2,607	1,297	56,668	
Rent	5,892	12,297	5,283	2,530	7,570	237	33,809	
Consultant fees	70	17,740	11,347	-	-	-	29,157	
Supplies	3,866	6,801	3,311	3,346	6,445	2,009	25,778	
Training and education	9,797	418	1,117	2,325	10,166	216	24,039	
Professional fees	3,062	6,537	3,769	1,767	2,127	3,490	20,752	
Depreciation	-	-	-	-	-	20,553	20,553	
Automobile	-	4,050	7,630	400	-	27	12,107	
Miscellaneous	6,493	1,703	227	-	613	1,057	10,093	
Telephone	526	3,079	1,042	603	3,437	239	8,926	
Interest	-	-	-	-	-	7,558	7,558	
Project expenses	4,651	-	-	-	-	-	4,651	
Pager	129	1,005	831	1,054	30	445	3,494	
Repairs and maintenance	-	608	1,084	410	323	565	2,990	
Postage	24	806	368	188	111	189	1,686	
Lease	-	-	-	-	1,583	-	1,583	
Consumer activity	-	307	695	-	-	-	1,002	
Bank charges	-	-	-	-	-	816	816	
Dues and subscriptions	-	-	-	-	110	-	110	
Utilities	-	45	-	-	-	-	45	
Penalties	-	-	-	-	-	26	26	
Total	\$ 435,717	\$ 378,455	\$ 228,101	\$ 177,969	\$ 95,636	\$ 79,233	\$ 1,395,111	

See accompanying notes to financial statements.

Options for Independence, Inc.

**Statement of Cash Flows
For the Year Ended June 30, 2005**

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 35,476
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Loss on disposal of equipment	85
Depreciation	20,553
Increase in operating assets:	
Program service fees receivable	(44,061)
Prepaid expenses	(3,100)
Increase/(decrease) in operating liabilities:	
Bank overdraft	(7,648)
Accounts payable	8,987
Accrued payroll and related liabilities	<u>(5,261)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>5,031</u>
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CASH FLOWS USED IN INVESTING ACTIVITIES

Purchases of equipment	<u>(11,382)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES

Net advances on line of credit	29,504
Principal payments on capital lease obligation	(2,031)
Principal payments on note payable	<u>(3,229)</u>

NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>24,244</u>
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NET INCREASE IN CASH	17,893
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CASH BALANCE - BEGINNING	<u>456</u>
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CASH BALANCE - ENDING	<u><u>\$ 18,349</u></u>
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SUPPLEMENTAL INFORMATION:

Cash paid during the year for interest	<u><u>\$ 7,558</u></u>
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See accompanying notes to financial statements.

Options for Independence, Inc.

Notes to Financial Statements
As of and for the Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Nature of the Organization – Options for Independence, Inc., a not-for-profit, voluntary health and welfare agency, focuses on providing service coordination (case management) for children and adults with disabilities, as well as employment assessment, placement, and training. The services are provided by qualified case managers who work directly with the individual and his/her family. Major programs offered by the Organization include:

Children's Services – The Organization offers services to children with serious emotional disturbance and their families under a pilot program developed for the LA Department of Health and Hospitals, Office of Mental Health.

Adult Services – Outreach and case management services are provided to adults with serious mental illness and adults and their families who are homeless or at risk of becoming homeless.

Special Projects – The Organization provides specialized social services including a pilot program designed for the LA Department of Health and Hospitals, Office for Citizens with Developmental Disabilities and Office of Mental Health to provide personalized case management services for families receiving specialized funding supports.

Big Brothers/Big Sisters – The Organization operates an affiliate program of the National Big Brother's Agency. This project became certified in February 2000. The program also operates an Americorps mentoring program.

Employment Services – The Organization provides specialized social services including:

Louisiana Rehabilitation Services – A pilot program designed to develop competitive employment outcomes to eligible clients with serious psychiatric disabilities through an Employment Recovery Team.

Micro-Enterprise Small Business Development – A pilot program designed for the LA Department of Health and Hospitals, Office of Mental Health to assist mental health consumers in starting their own businesses.

The following are the significant accounting policies of Options for Independence, Inc.:

- B. Basis of Presentation – The financial statements are prepared on the accrual basis in accordance with U. S. generally accepted accounting principles.

Options for Independence, Inc.

Notes to Financial Statements
As of and for the Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- C. Net Assets – Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Options for Independence, Inc. and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Options for Independence, Inc. and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by Options for Independence, Inc. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

- D. Cash and Cash Equivalents – For the purpose of the statement of cash flows, Options for Independence, Inc. considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.
- E. Bad Debts – The financial statements of Options for Independence, Inc. contain no allowance for uncollectible receivables as management considers all such receivables to be fully collectible. Uncollectible accounts are recognized as an expense at the time information becomes available that indicates the amounts are uncollectible.
- F. Property and Equipment – Property and equipment is stated at cost. Depreciation is computed utilizing the declining balance method over the estimated useful lives of the assets.
- G. Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
- H. Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Options for Independence, Inc.

Notes to Financial Statements
As of and for the Year Ended June 30, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

- I. Income Taxes – Options for Independence, Inc. is a not-for-profit, voluntary health and welfare agency exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code and qualifies for the 50% charitable contributions deduction for individual donors.

NOTE 2 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of program service fees due from various departments of the State of Louisiana. Because these receivables are passed through support from the federal or state government, the Organization requires no collateral for these amounts.

Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

Options for Independence, Inc. maintains its cash in one financial institution located in Louisiana as of June 30, 2005. The Federal Deposit Insurance Corporation (FDIC) insures deposits up to \$100,000 at each institution. Deposits exceeded FDIC coverage at various times during the year.

NOTE 3 – FAIR VALUES OF FINANCIAL INSTRUMENTS

The Organization's financial instruments, none of which are held for trading purposes, include cash and cash equivalents, program service fees receivable, accounts payable, lease payable, and note payable. Management estimates that the fair value of all financial instruments at June 30, 2005, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

NOTE 4 – PROPERTY AND EQUIPMENT

A summary of changes in property and equipment, consisting primarily of furniture, fixtures, and office equipment, follows:

	Balance July 1, 2004	Additions	Retirements	Balance June 30, 2005
Property and equipment	\$ 104,805	\$ 11,382	\$ (1,774)	\$ 114,413
Accumulated depreciation	(66,699)	(20,553)	1,689	(85,563)
	<u>\$ 38,106</u>	<u>\$ (9,171)</u>	<u>\$ (85)</u>	<u>\$ 28,850</u>

Options for Independence, Inc.

Notes to Financial Statements
As of and for the Year Ended June 30, 2005

NOTE 5 – PROGRAM SERVICE FEES RECEIVABLE

As of June 30, 2005, program service fees receivable consist of the following:

State of Louisiana/ Department of Health and Hospitals/ Office of Mental Health/ Children's Assertive Community Treatment Grant	\$ 14,433
Adult Rehabilitation Grant	13,035
Drop-In Center Grant	12,602
East Louisiana State Hospital Grant	11,919
Early Childhood Supports and Services Grant	10,925
Terrebonne-Lafourche Resettlement Services Grant	9,920
Consumer Care Resources Grant	7,114
Big Brothers/Big Sisters Grant	5,829
Micro Enterprise Grant	2,535
Office for Citizens with Developmental Disabilities/ Children's Assertive Community Treatment	17,290
Fiscal Intermediary Services Grant	6,883
Office of Addictive Disorders/ Big Brothers/Big Sisters Grant	9,270
Office of Public Health/ Child Health Injury Prevention Grant	13,009
State of Louisiana/ Department of Social Services/ Louisiana Rehabilitation Services	26,667
Children's Trust Fund/Children's Assertive Community Treatment	1,117
State of Louisiana/ Department of Education/ Louisiana's State Improvement Grant	7,253
State of Louisiana/ Office of the Governor/ Governor's Safe and Drug Free Schools and Communities Grant	6,724
Gulf Coast Family Teaching Services, Inc.	18,239
Other receivables	705
	<u>\$ 195,469</u>

Options for Independence, Inc.

**Notes to Financial Statements
As of and for the Year Ended June 30, 2005**

NOTE 6 – PREPAID EXPENSES

Prepaid expenses as of June 30, 2005 consist of the following:

Vehicle lease	\$ 7,500
Rent	<u>5,600</u>
Total prepaid expenses	<u>\$ 13,100</u>

NOTE 7 – OPERATING LEASES

The Organization leases the space from which it operates its administrative functions from an unrelated third party. The agreement is unwritten, on a month-to-month basis, and requires payments of \$1,200 per month. The total expense under this agreement for the year ended June 30, 2005 is \$14,400.

The Organization leases space from which it operates certain program services from an unrelated third party. This lease agreement is written on a year-to-year basis and includes payments of \$1,081 per month. The total expense under this agreement for the year ended June 30, 2005 is \$12,970.

The Organization leases the space from which it operates certain program functions from an unrelated third party. The agreement is written, on a month-to-month basis, and requires payments of \$700 per month. The total expense under this agreement for the year ended June 30, 2005 is \$3,500.

NOTE 8 – CAPITAL LEASE

The Organization is engaged in a capital lease for office equipment recorded at a cost of \$12,244 and accumulated depreciation of \$6,134. The economic substance of the lease is that the Organization is acquiring the equipment through the lease, and the appropriate assets and liabilities have been recorded. The lease matures on June 3, 2008. The principal balance due as of June 30, 2005 is \$8,030. The minimum future principal payments under this lease are as follows:

<u>Year Ending June 30,</u>	<u>Minimum Principal Payments</u>
2006	\$ 2,427
2007	2,669
2008	<u>2,934</u>
Total	<u>\$ 8,030</u>

Options for Independence, Inc.

Notes to Financial Statements As of and for the Year Ended June 30, 2005

NOTE 9 – NOTE PAYABLE

The Organization is engaged in a note payable for a vehicle recorded at a cost of \$14,611 and accumulated depreciation of \$5,844. The economic substance of the note is that the Organization is acquiring the vehicle through the note, and the appropriate assets and liabilities have been recorded. The note has an interest rate of 7.99% and matures on June 28, 2008. The principal balance due as of June 30, 2005 is \$11,382. The minimum future principal payments under this lease are as follows:

<u>Year Ending June 30,</u>	<u>Minimum Principal Payments</u>
2006	\$ 3,496
2007	3,785
2008	4,101
Total	<u>\$ 11,382</u>

NOTE 10 – LINE OF CREDIT

The Organization has a revolving line of credit agreement with a local bank to aid in cash flow management. The agreement includes a borrowing limit of \$150,000, an interest rate of 6.00% on outstanding balances, and is secured by certain receivables. As of June 30, 2005, the Organization had an outstanding balance of \$149,234 on this line of credit. Interest paid under this agreement for the year ended June 30, 2005 totaled \$5,487.

NOTE 11 – RELATED PARTIES

Children's Coalition for the Bayou Region, Inc. – The executive director of Options for Independence, Inc. also serves as an officer on the Board of Directors of Children's Coalition for the Bayou Region, Inc. Children's Coalition for the Bayou Region, Inc. is a not-for-profit voluntary health and welfare agency. The Organization does not engage in transactions with the related party.

NOTE 12 – MISCELLANEOUS INCOME

Miscellaneous income as of June 30, 2005 consists of the following:

Michel support fund	\$ 6,902
Management fee income	6,697
Cameron LeBouef fund	5,638
Small projects	1,104
Total miscellaneous income	<u>\$ 20,341</u>

Options for Independence, Inc.

**Notes to Financial Statements
As of and for the Year Ended June 30, 2005**

NOTE 13 – PROGRAM SERVICE FEES

During the year ended June 30, 2005, the Organization recognized program service fees in the form of reimbursements for actual expenses and on a unit of service basis from the following sources:

State of Louisiana/ Department of Health and Hospitals/ Office of Mental Health/	
Children's Assertive Community Treatment Grant	\$ 206,376
Adult Rehabilitation Grant	180,911
Terrebonne-Lafourche Resettlement Services Grant	116,568
Early Childhood Supports and Services Grant	101,410
Consumer Care Resources Grant	67,648
East Louisiana State Hospital Grant	49,771
Drop-In Center Grant	34,434
Micro Enterprise Grant	32,873
Big Brothers/Big Sister Grant	16,653
Office for Citizens with Developmental Disabilities/	
Children's Assertive Community Treatment	142,016
Fiscal Intermediary Services Grant	33,138
Office of Addictive Disorders/	
Big Brothers/Big Sisters Grant	66,612
Office of Public Health/	
Child Health Injury Prevention Grant	47,460
State of Louisiana/ Department of Social Services/	
Louisiana Rehabilitation Services	166,996
Children's Trust Fund/	
Children's Assertive Community Treatment	5,990
State of Louisiana/ Department of Education/	
Louisiana's State Improvement Grant	45,133
State of Louisiana/ Office of the Governor/	
Governor's Safe and Drug Free Schools and Communities Grant	13,048
Gulf Coast Family Teaching Services, Inc.	80,491
	<u>\$ 1,407,528</u>

SUPPLEMENTARY INFORMATION

Options for Independence, Inc.

**Schedule of Revenue, Support, and Direct Expenses -
Big Brothers/Big Sisters Program
For the Year Ended June 30, 2005**

REVENUE AND SUPPORT

Program service fees	\$ 96,312
Other	554

TOTAL REVENUE AND SUPPORT	96,866
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DIRECT EXPENSES

Salaries	50,980
Training and education	10,166
Rent	7,570
Supplies	6,445
Insurance	5,263
Payroll taxes	4,271
Telephone	3,437
Travel	2,607
Professional fees	2,127
Lease	1,583
Miscellaneous	613
Repairs and maintenance	323
Postage	111
Dues and subscriptions	110
Pager	30

TOTAL DIRECT EXPENSES	95,636
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EXCESS OF REVENUE AND SUPPORT OVER DIRECT EXPENSES	\$ 1,230
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SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

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and
Pellegrin**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Options for Independence, Inc.
Houma, Louisiana

We have audited the financial statements of Options for Independence, Inc. (a nonprofit organization) as of and for the year ended June 30, 2005 and have issued our report thereon dated February 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Options for Independence, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

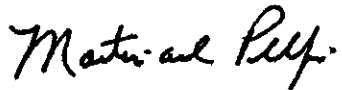
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Options for Independence, Inc.'s basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our

Board of Directors
Options for Independence, Inc.
Houma, Louisiana

tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 05-01.

This report is intended solely for the information and use of the Board of Directors, management, the Louisiana Legislative Auditor, federal awarding agencies, pass-through entities, and other grantor organizations, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in cursive script, appearing to read "Matthew Ruff".

February 9, 2006

**Martin
and
Pellegrin**

*Certified Public Accountants
(A Professional Corporation)*

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Options for Independence, Inc.
Houma, Louisiana

Compliance

We have audited the compliance of Options for Independence, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2005. Options for Independence, Inc.'s major federal award program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Options for Independence, Inc.'s management. Our responsibility is to express an opinion on Options for Independence, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Options for Independence, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Options for Independence, Inc.'s compliance with those requirements.

In our opinion, Options for Independence, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

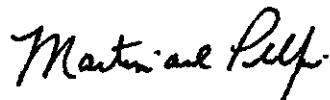
Board of Directors
Options for Independence, Inc.
Houma, Louisiana

Internal Control Over Compliance

The management of Options for Independence, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Options for Independence, Inc.'s internal control over compliance with requirements that could have a direct and material effect on its major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, the Louisiana Legislative Auditor, federal awarding agencies, pass-through entities, and other grantor organizations, and is not intended to be and should not be used by anyone other than these specified parties.



February 9, 2006

Options for Independence, Inc.

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Contract Number	Federal Expenditures
<u>DEPARTMENT OF HEALTH AND HUMAN SERVICES/</u>			
<u>Pass-through payments from the Louisiana</u>			
<u>Department of Health and Hospitals/</u>			
Community Mental Health Services Block Grant	93.958	608824 614901 608820 616683 608624	\$ 107,894 98,483 61,648 34,434 32,873 <u>335,332 **</u>
Maternal and Child Health Services Block Grant to the States	93.768	N/A	<u>129,170</u>
Temporary Assistance for Needy Families Formula Grant	93.558	603867 617923	28,085 73,325 <u>101,410</u>
Prevention and Treatment of Substance Abuse Block Grant	93.959	615121	<u>66,612</u>
Projects for Assistance in Transition for Homeless Block Grant	93.150	608834 608820	33,805 6,000 <u>39,805</u>
Maternal and Child Health Services Block Grant to the States	93.994	617539 577387	11,557 4,976 <u>16,533</u>
<u>DEPARTMENT OF EDUCATION/</u>			
<u>Pass-through payments from the Louisiana</u>			
<u>Department of Education/</u>			
Supported Employment Services for Individuals with Severe Disabilities	84.187	N/A	<u>131,426</u>
Special Education/State Program Improvement Grants for Children with Disabilities	84.323	592900	<u>45,133</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	N/A	<u>13,048</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT/</u>			
<u>Pass-through payments from the Louisiana</u>			
<u>Department of Housing and Urban Development/</u>			
Supportive Housing for Persons with Disabilities	14.181	N/A	<u>80,492</u>
			<u>\$ 958,961</u>

** Denotes a major program

See accompanying notes to schedule of expenditures of federal awards.

Options for Independence, Inc.

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

**NOTE 1 – SCOPE OF AUDIT PURSUANT TO THE GOVERNMENTAL AUDITING
STANDARDS ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED
STATES AND OMB CIRCULAR A-133**

All federal grant awards of Options for Independence, Inc. are included in the scope of the Government Auditing Standards issued by the Comptroller General of the United States and OMB Circular A-133.

NOTE 2 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Options for Independence, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Options for Independence, Inc.

Schedule of Findings and Questioned Costs Year Ended June 30, 2005

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Options for Independence, Inc.
2. No reportable conditions were noted during the audit of the financial statements.
3. One instance of noncompliance material to the financial statements of Options for Independence, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, was disclosed during the audit.
4. No reportable conditions were noted during the audit of internal control over major federal award programs.
5. The auditor's report on compliance for the major federal award program for Options for Independence, Inc. expresses an unqualified opinion on the major federal program.
6. No audit findings relative to the major federal award program were noted.
7. The program tested as a major program was the U.S. Department of Health and Human Services Community Mental Health Services Block Grant, CFDA #93.958.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Options for Independence, Inc. qualified as a low-risk auditee.

Findings – Financial Statement Audit

05-01 Statement of Condition: All entities under the scope of the Louisiana audit law must submit their annual audit engagement reporting package to the Louisiana Legislative Auditor's office no later than six months after the entity's year end. The entity submitted their package after their due date.

Criteria: In our testing of the entity's compliance with certain laws, regulations, contracts, and grants, we noted that the annual audit engagement package was not submitted to the Louisiana Legislative Auditor's office within the prescribed timelines.

Effects of Condition: Noncompliance with the Louisiana audit law could result in the disallowance of the entity's participation in state grant programs.

Options for Independence, Inc.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2005**

Cause of Condition: After the devastating effects of Hurricanes Katrina and Rita to the surrounding areas, the entity allocated much of its resources to special programs designed to aid in the recovery. Due to the volume of activity related to these projects, administrative personnel were allocated to such projects. The Organization has been timely with all audit submissions in the past.

Recommendation: In the future, the Organization should allocate the proper resources to ensure that it complies with the Louisiana audit submission requirements.

Findings and Questioned Costs – Major Federal Award Program Audit

None Reported.

Options for Independence, Inc.

**Schedule of Prior Findings and Resolution Matters
Year Ended June 30, 2005**

Note: All prior findings relate to the June 30, 2004 audit engagement.

Section I – Internal Control and Compliance Material to the Financial Statements

This section is not applicable.

Section II – Internal Control and Compliance Material to Federal Awards

This section is not applicable.

Section III – Management Letter

This section is not applicable.

Options for Independence, Inc.

Management's Corrective Action Plan for Current Year Findings Year Ended June 30, 2005

The contact person for all corrective actions noted below is Barry Chauvin, Executive Director.

Section I – Internal Control and Compliance Material to the Financial Statements

Compliance

Condition: All entities under the scope of the Louisiana audit law must submit their annual audit engagement reporting package to the Louisiana Legislative Auditor's office no later than six months after the entity's year end. The entity submitted their package after their due date.

Recommendation: In the future, the Organization should allocate the proper *resources to ensure that it complies with the Louisiana audit submission requirements.*

Planned Action: Management feels that this is an isolated incident brought on by the effects of Hurricanes Katrina and Rita, as the Organization has been timely with all prior audit submissions. As such, future audit reporting packages will be submitted in compliance with the Louisiana audit law.

Section II – Internal Control and Compliance Material to Federal Awards

This section is not applicable.

Section III – Management Letter

This section is not applicable.